

QUARTERLY REPORT

LICENSEE: ACE GAMING, LLC

FOR THE QUARTER ENDED SEPTEMBER 30, 2005

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO

BALANCE SHEETS

AS OF SEPTEMBER 30, 2005 AND 2004

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
ASSETS			
	Current Assets:		
1	Cash and Cash Equivalents.....	\$ 14,209	\$ 19,164
2	Short-Term Investments.....	-	-
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2005, \$3,745; 2004, \$4,175).....	3,836	4,535
4	Inventories.....	2,493	2,311
5	Prepaid Expenses and Other Current Assets..... Note 7.....	6,275	4,632
6	Total Current Assets.....	26,813	30,642
7	Investments, Advances, and Receivables..... Note 8.....	12,696	11,369
8	Property and Equipment - Gross..... Note 9.....	221,235	218,820
9	Less: Accumulated Depreciation and Amortization..... Note 9.....	(58,132)	(50,877)
10	Property and Equipment - Net..... Note 9.....	163,103	167,943
11	Other Assets.....	1,633	1,242
12	Total Assets.....	\$ 204,245	\$ 211,196
LIABILITIES AND EQUITY			
	Current Liabilities:		
13	Accounts Payable.....	\$ 5,654	\$ 5,761
14	Notes Payable.....	-	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates.....	-	-
16	Other.....	305	-
17	Income Taxes Payable and Accrued.....	25	97
18	Other Accrued Expenses..... Note 10.....	11,092	11,386
19	Other Current Liabilities..... Note 11.....	4,103	3,692
20	Total Current Liabilities.....	21,179	20,936
	Long-Term Debt:		
21	Due to Affiliates.....	-	0
22	Other.....	330	-
23	Deferred Credits.....	-	-
24	Other Liabilities..... Note 12.....	4,270	3,959
25	Commitments and Contingencies		
26	Total Liabilities.....	25,779	24,895
27	Stockholders', Partners', Or Proprietor's Equity.....	178,466	186,301
28	Total Liabilities and Equity.....	\$ 204,245	\$ 211,196

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	Revenue:		
1	Casino.....	\$ 136,568	\$ 142,495
2	Rooms.....	8,889	8,342
3	Food and Beverage.....	17,506	16,472
4	Other.....	2,616	2,826
5	Total Revenue.....	165,579	170,135
6	Less: Promotional Allowances.....	40,233	38,592
7	Net Revenue.....	125,346	131,543
	Costs and Expenses:		
8	Cost of Goods and Services.....	87,364	89,006
9	Selling, General, and Administrative.....	28,278	26,744
10	Provision for Doubtful Accounts.....	278	262
11	Total Costs and Expenses.....	115,920	116,012
12	Gross Operating Profit.....	9,426	15,531
13	Depreciation and Amortization.....	11,933	11,327
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....	-	-
16	Income (Loss) From Operations.....	(2,507)	4,204
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates	-	(6,650)
18	Interest (Expense) - External.....	(197)	(162)
19	Investment Alternative Tax and Related Income (Expense) - Net....	(508)	(887)
20	Nonoperating Income (Expense) - Net..... Note 13.....	400	(2,335)
21	Total Other Income (Expenses).....	(305)	(10,034)
22	Income (Loss) Before Income Taxes And Extraordinary Items.....	(2,812)	(5,830)
23	Provision (Credit) for Income Taxes.....	764	785
24	Income (Loss) Before Extraordinary Items.....	(3,576)	(6,615)
25	Extraordinary Items (Net of Income Taxes - 2005, \$ - ; 2004, \$ -).....	-	-
26	Net Income (Loss).....	\$ (3,576)	\$ (6,615)

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF INCOME

Amended

12/9/05

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

(UNAUDITED)

AMENDED

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	Revenue:		
1	Casino.....	\$ 48,349	\$ 47,934
2	Rooms.....	3,705	3,274 *
3	Food and Beverage.....	7,225	5,682 *
4	Other.....	923	879 *
5	Total Revenue.....	60,202	57,769 *
6	Less: Promotional Allowances.....	15,744	11,786 *
7	Net Revenue.....	44,458	45,983 *
	Costs And Expenses:		
8	Cost of Goods and Services.....	31,173	29,421 *
9	Selling, General, and Administrative.....	10,071	11,808 *
10	Provision for Doubtful Accounts.....	121	(85)
11	Total Costs and Expenses.....	41,365	41,144 *
12	Gross Operating Profit.....	3,093	4,839 *
13	Depreciation and Amortization.....	4,026	3,824
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....	-	-
16	Income (Loss) From Operations.....	(933)	1,015 *
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates.....	-	(699)
18	Interest (Expense) - External.....	(68)	(56)
19	Investment Alternative Tax and Related Income (Expense) - Net...	(294)	(300)
20	Nonoperating Income (Expense) - Net..... Note 13.....	166	(655) *
21	Total Other Income (Expenses).....	(196)	(1,710) *
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	(1,129)	(695)
23	Provision (Credit) for Income Taxes.....	265	272
24	Income (Loss) Before Extraordinary Items.....	(1,394)	(967)
25	Extraordinary Items (Net of Income Taxes - 2005, \$ - ; 2004, \$ -).....	-	-
26	Net Income (Loss).....	\$ (1,394)	\$ (967)

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2005
 (UNAUDITED)
 (\$ IN THOUSANDS)

LINE (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated) (Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2003	100	\$ -		\$	\$ 89,659	\$	\$ (36,300)	\$ 53,359
2	Net Income (Loss) -							(7,936)	(7,936)
3	Contribution to Paid-in-Capital.....					142,013			142,013
4	Dividends.....								
5	Prior Period Adjustments.....								
6	Capital Withdrawals					(2,796)			(2,796)
7	Cancelled Common Stock	(100)							
8	Single Member LLC								
9								
10	Balance, December 31, 2004.....	-	-			228,876		(44,236)	184,640
11	Net Income (Loss) - 2005.....							(3,576)	(3,576)
12	Contribution to Paid-in - Capital.....								
13	Dividends.....								
14	Prior Period Adjustments.....								
15	Capital Withdrawals					(2,598)			(2,598)
16								
17								
18								
19	Balance, September 30, 2005.....	-	\$		\$	226,278	\$	\$ (47,812)	\$ 178,466

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF CASH FLOWS
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

(UNAUDITED)
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
1	NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ 8,920	\$ 4,044
	CASH FLOWS FROM INVESTING ACTIVITIES:		
2	Purchase of Short-Term Investment Securities.....	-	-
3	Proceeds from the Sale of Short-Term Investment Securities.....	138	-
4	Cash Outflows for Property and Equipment.....	(3,189)	(9,393)
5	Proceeds from Disposition of Property and Equipment.....	6	38
6	Purchase of Casino Reinvestment Obligations.....	(1,696)	(1,551)
7	Purchase of Other Investments and Loans/Advances made.....	-	-
8	Proceeds from Disposal of Investments and Collection of Advances and Long-Term Receivables.....	-	-
9	Cash Outflows to Acquire Business Entities (net of cash acquired).	-	-
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....	(4,741)	(10,906)
	CASH FLOWS FROM FINANCING ACTIVITIES:		
13	Cash Proceeds from Issuance of Short-Term Debt.....	-	-
14	Payments to Settle Short-Term Debt.....	-	-
15	Cash Proceeds from Issuance of Long-Term Debt.....	47	-
16	Costs of Issuing Debt.....	-	-
17	Payments to Settle Long-Term Debt.....	(174)	-
18	Cash Proceeds from Issuing Stock or Capital Contributions	-	9,123
19	Purchases of Treasury Stock.....	-	-
20	Payments of Dividends or Capital Withdrawals.....	(2,598)	-
21			
22			
23	Net Cash Provided (Used) By Financing Activities.....	(2,725)	9,123
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	1,454	2,261
25	Cash And Cash Equivalents At Beginning Of Period.....	12,755	16,903
26	Cash And Cash Equivalents At End Of Period.....	\$ 14,209	\$ 19,164

	CASH PAID DURING PERIOD FOR:		
27	Interest (Net of Amount Capitalized).....	\$ 41	\$ 10,744
28	Income Taxes.....	\$ 764	\$ 691

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	NET CASH FLOWS FROM OPERATING ACTIVITIES:		
29	Net Income (Loss).....	\$ (3,576)	\$ (6,615)
	Noncash Items Included in Income and Cash Items Excluded from Income:		
30	Depreciation and Amortization of Property and Equipment....	11,726	10,863
31	Amortization of Other Assets.....	207	464
32	Amortization of Debt Discount or Premium.....	-	-
33	Deferred Income Taxes - Current.....	-	-
34	Deferred Income Taxes - Noncurrent.....	-	-
35	(Gain) Loss on Disposition of Property and Equipment.....	(6)	(38)
36	(Gain) Loss on Casino Reinvestment Obligations.....	508	887
37	(Gain) Loss from Other Investment Activities.....	-	-
	Net (Increase) Decrease in Receivables and Patrons'		
38	Checks.....	1,639	773
39	Net (Increase) Decrease in Inventories.....	6	(89)
40	Net (Increase) Decrease in Other Current Assets.....	(1,131)	(1,291)
41	Net (Increase) Decrease in Other Assets.....	(241)	107
42	Net Increase (Decrease) in Accounts Payable.....	(1,427)	(1,054)
	Net Increase (Decrease) in Other Current Liabilities		
43	Excluding Debt.....	997	(179)
	Net Increase (Decrease) in Other Noncurrent Liabilities		
44	Excluding Debt.....	218	216
45			
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ 8,920	\$ 4,044

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:		
48	Additions to Property and Equipment.....	\$ 3,189	\$ 9,393
49	Less: Capital Lease Obligations Incurred.....	-	-
50	Cash Outflows For Property And Equipment.....	\$ 3,189	\$ 9,393
	ACQUISITION OF BUSINESS ENTITIES:		
51	Property and Equipment Acquired.....	\$	\$
52	Goodwill Acquired.....		
53	Net Assets Acquired Other than Cash, Goodwill, and Property and Equipment.....		
54	Long-Term Debt Assumed.....		
55	Issuance of Stock or Capital Invested.....		
56	Cash Outflows To Acquire Business Entities.....	\$ -	\$ -
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:		
57	Total Issuances of Stock or Capital Contributions ..(Returned).....	\$ -	\$ 9,122
58	Less: Issuances to Settle Long-Term Debt.....	-	-
59	Consideration in Acquisition of Business Entities.....	-	-
60	Cash Proceeds From Issuing Stock Or Capital Contributions	\$ -	\$ 9,122

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO

**SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES**

(\$ IN THOUSANDS)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	197,829	\$ 5,130		\$
2	Food	416,036	7,526		
3	Beverage	1,673,702	4,500		
4	Travel			1,564	672
5	Bus Program Cash	399,895	7,567		
6	Other Cash Complimentaries	224,074	14,910		
7	Entertainment	8,758	340		
8	Retail & Non-Cash Gifts			700,082	4,973
9	Parking			152,587	457
10	Other	30,322	260		
11	Total	2,950,616	\$ 40,233	854,233	\$ 6,102

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2005

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	75,465	\$ 1,955		\$
2	Food	162,021	2,999		
3	Beverage	632,257	1,601		
4	Travel			523	242
5	Bus Program Cash	142,084	3,271		
6	Other Cash Complimentaries	82,849	5,705		
7	Entertainment	3,951	130		
8	Retail & Non-Cash Gifts			354,691	1,738
9	Parking			93,264	280
10	Other	9,661	83		
11	Total	1,108,288	\$ 15,744	448,478	\$ 2,260

ACE GAMING, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Note 1. The Company

Atlantic Coast Entertainment Holdings, Inc. ("Atlantic Holdings") is a Delaware corporation formed in October 2003 as a wholly-owned subsidiary of Greate Bay Hotel and Casino, Inc. ("GBHC") which was a wholly-owned subsidiary of GB Holdings, Inc. ("GB Holdings"). Until July 22, 2004, GBHC was the owner and operator of The Sands Hotel and Casino in Atlantic City, New Jersey ("The Sands"). ACE Gaming LLC ("ACE" or the "Company"), a New Jersey limited liability company and a wholly-owned subsidiary of Atlantic Holdings, was formed in November 2003. ACE is a single member LLC with Atlantic Holdings as its sole member. In connection with a transaction (the "Transaction") which was consummated in July 2004, substantially all of the assets of GB Holdings, including The Sands, and certain subsidiaries of GB Holdings were transferred to Atlantic Holdings and subsequently to ACE.

Atlantic Holdings' 3% secured notes due 2008, guaranteed by ACE (the "Notes"), are convertible into 65.90909 shares of Atlantic Holdings' common stock for each \$1,000 of principal amount of notes and related accrued interest. On May 17, 2005, American Real Estate Partners, L.P. ("AREP"), which owned an aggregate principal amount of \$63.9 million of Atlantic Holdings' Notes elected to convert an aggregate of \$28.8 million principal amount of Atlantic Holdings' Notes into 1,898,181 shares of Atlantic Holdings' common stock, pursuant to the terms of the indenture governing the Notes. AREP is a publicly traded master limited partnership. Carl C. Icahn, through affiliates, owns approximately 90.0% of its depositary units and 86.5% of its preferred units and all of the capital stock of AREP's general partner, American Property Investors, Inc.

Pursuant to the terms of a warrant agreement for warrants issued in connection with the Transaction, as a result of the conversion of Notes by AREP, holders of Atlantic Holdings' warrants are, and since May 17, 2005, have been, able to exercise their warrants to purchase 0.275 shares of Atlantic Holdings' common stock for each warrant that they own, at an exercise price of \$0.01 per share of Atlantic Holdings' common stock. Atlantic Holdings entered into an agreement with American Stock Transfer and Trust Company, as of May 17, 2005, to facilitate the exercise of warrants.

On May 17, 2005, we received notice from American Stock Transfer and Trust Company that affiliates of Mr. Icahn, including AREP, exercised their warrants for an aggregate of 2,130,904 shares of Atlantic Holdings common stock. As a result of the exercise of warrants and the conversion of a portion of the Notes owned by AREP, affiliates of Mr. Icahn, including AREP, own an aggregate of 4,029,085 shares of Atlantic Holdings' common stock, representing approximately 58.3% of Atlantic Holdings' outstanding common stock. GB Holdings owned approximately 41.7% of Atlantic Holdings' outstanding common stock. On June 30, 2005, AREP purchased from Mr. Icahn's affiliates the shares of Atlantic Holdings' common stock owned by them. As a result, AREP owns an aggregate of 4,029,085 shares of Atlantic Holdings' common stock, representing approximately 58.3% of Atlantic Holdings' common stock. After the conversion of Notes by AREP, it continues to own approximately \$35.1 million in principal amount of the Notes. If AREP elects to convert its remaining Notes, AREP would then own approximately 6.34 million shares of Atlantic Holdings' common stock, representing approximately 63.4% of Atlantic Holdings' outstanding common stock, on a fully diluted basis including both shares owned by GB Holdings and shares issuable upon exercise of the remaining outstanding warrants. To the extent that warrants are not exercised, the percentage of Atlantic Holdings' common stock owned by AREP and GB Holdings, on a fully diluted basis, would increase. Atlantic Holdings' board of directors has the right to limit the term of the warrants.

On September 29, 2005, GB Holdings filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. We understand that, as part of its reorganization, GB Holdings is contemplating a sale of the 2,882,938 shares, or 41.7%, of Atlantic Holdings' common stock that it currently owns.

Note 2. Basis of Presentation

The accompanying financial statements were prepared following the requirements of the New Jersey Casino Control Commission ("CCC") for Quarterly Reports. As permitted under those rules, certain notes or other financial information that are normally required by GAAP (U.S. generally accepted accounting principles) can be condensed or

omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Quarterly Reports for the quarter ended December 31, 2004 filed with the CCC.

In preparing the consolidated financial statements, the assets and liabilities, revenues and expenses of the operations prior to the Transaction are reflected in the accompanying financial statements.

In management's opinion, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial position as of September 30, 2005 and the results of operations for the three and nine months ended September 30, 2005 and 2004 have been made. The results set forth in the statement of income for the nine months ended September 30, 2005 are not necessarily indicative of the results to be expected for the full year.

Note 3. Related Party Transactions

The Company has entered into an intercompany services arrangement with American Casino & Entertainment Properties LLC ("ACEP"), which is controlled by AREP, whereby ACEP provides management and consulting services. The Company is billed based upon an allocation of salaries plus an overhead charge of 15% of the salary allocation plus reimbursement of reasonable out-of-pocket expenses. For the three and nine months ended September 30, 2005, the Company was billed approximately \$189,000 and \$504,000, respectively. For the three and nine months ended September 30, 2004, the Company was billed approximately \$135,000 and \$251,000, respectively.

The Company has entered into an agreement with XO Communications, Inc., a long-distance phone carrier, an entity affiliated with Mr. Icahn. Payments for such charges incurred for the three months ended September 30, 2005 and 2004 amounted to \$34,000 and \$52,000, respectively, and \$119,000, and \$133,000 for the nine months ended September 30, 2005 and 2004, respectively. The agreement was extended in June 2005 through April 2007.

In connection with the Transaction, GB Holdings, Atlantic Holdings and ACE entered into a Contribution Agreement, pursuant to which, Atlantic Holdings paid approximately \$0 and \$2.6 million to GB Holdings for the three and nine months ended September 30, 2005, respectively, of which approximately \$2.4 million was for interest on the GB Holdings 11% Notes due 2005 (the "GB Holdings 11% Notes") which were not previously exchanged for Atlantic Holdings' notes in the Transaction. Additionally, the Company agreed to pay GB Holdings an amount equal to GB Holdings' normal, ordinary course operating expenses (including legal and accounting costs, directors' and officers' insurance premiums, and fees for SEC filings) not to exceed in the aggregate \$250,000 in any twelve month period, subject to a number of conditions.

Note 4. Line of Credit

On November 12, 2004, the Company entered into a Loan and Security Agreement (the "Loan Agreement"), by and among Atlantic Holdings, as borrower, ACE, as guarantor, and Fortress Credit Corp. ("Fortress"), as lender, and certain related ancillary documents, pursuant to which Fortress agreed to make available to Atlantic Holdings a senior secured revolving credit line providing for working capital loans of up to \$10 million (the "Loans"), to be used for working capital purposes in the operation of The Sands. As of September 30, 2005, Atlantic Holdings had outstanding borrowings of \$1.0 million.

All Loans under the Loan Agreement are payable in full by no later than the day immediately prior to the one-year anniversary of the Loan Agreement, or any earlier date on which the Loans are required to be paid in full, by acceleration or otherwise, pursuant to the Loan Agreement. Interest accrues at a fixed rate to be set monthly which is equal to one month LIBOR (but not less than 1.5%), plus 8% per annum, which equaled, 11.69% at September 30, 2005. We are currently negotiating with our lender to extend the term of the revolving credit facility. However, there can be no assurance that our revolving credit facility will be extended or that we can obtain a new revolving credit facility from another lender.

The borrower and guarantor on the Loan Agreement are required to maintain certain financial covenants. As of September 30, 2005, the Company was not in compliance with the minimum EBITDA covenant. On October 26, 2005, Atlantic Holdings repaid to Fortress all outstanding borrowings under the Loan Agreement.

Note 5. Legal Proceedings

The Company has challenged its property tax assessment in the Tax Court of New Jersey beginning with the tax year 1996 and including each year thereafter through tax year 2005. Recently, a trial was held with respect to tax years 1996 through 1999. We anticipate a ruling by the Tax Court in the first quarter of 2006. Based upon the City's appraisals submitted at trial for these four years, the Company may be entitled to a refund. A trial for tax years 2000 through 2005 is anticipated to occur in 2006. As with any litigation there can be no assurance of the ultimate outcome, the Company's ability to collect any judgment which may be awarded or the terms under which any amount awarded or mutually agreed upon would be paid.

We are involved in various other inquiries, administrative proceedings and litigation arising in the normal course of business. While any proceeding or litigation has an element of uncertainty, we believe that the final outcome of these matters will not have a material adverse effect upon our financial position or our results of operations.

Note 6. Recoverability of Long-Lived Assets

During 2005, the Company has begun to incur operating losses relating to the operation of The Sands. However, the Company continues to generate positive cash flow. The Company believes that its efforts to improve profitability may lead to a reversal of these operating losses. However, as there is no guarantee that the Company's efforts will be successful, the Company continues to evaluate whether there is an impairment of long-lived assets as defined under Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets" ("SFAS 144"). In the event that a change in operations results in a future reduction of cash flows, the Company may determine an impairment under SFAS 144 has occurred at The Sands, and an impairment charge may be required.

NOTE 7. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	September 30,	
	2005	2004
Deposits - Workers Compensation	\$ 3,319,000	\$ 2,091,000
Prepaid real estate tax	835,000	20,000
Prepaid slot license fee	810,000	826,000
Prepaid insurance	407,000	603,000
Other current assets	904,000	1,092,000
	<u>\$ 6,275,000</u>	<u>\$ 4,632,000</u>

NOTE 8. INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables consisted of the following Casino Reinvestment and Development Authority ("CRDA") investments:

	September 30,	
	2005	2004
CRDA deposits	\$ 17,528,000	\$ 16,873,000
CRDA bond receivables	8,176,000	6,718,000
	25,704,000	23,591,000
Less valuation allowance on CRDA investments	(13,008,000)	(12,222,000)
	<u>\$ 12,696,000</u>	<u>\$ 11,369,000</u>

NOTE 9. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	September 30,	
	2005	2004
Land	\$ 54,344,000	\$ 54,344,000
Buildings and improvements	88,186,000	88,512,000
Operating equipment	77,923,000	74,788,000
Construction in progress	782,000	1,176,000
	221,235,000	218,820,000
Less: accumulated depreciation and amortization	(58,132,000)	(50,877,000)
Net property and equipment	<u>\$ 163,103,000</u>	<u>\$ 167,943,000</u>

NOTE 10. OTHER ACCRUED EXPENSES

Other accrued expenses consisted of the following:

	September 30,	
	2005	2004
Accrued vacation	\$ 1,578,000	\$ 1,620,000
Major Medical - Non-union	1,230,000	1,167,000
Accrued wages	660,000	1,530,000
Other accrued expenses	7,649,000	7,069,000
	<u>\$ 11,117,000</u>	<u>\$ 11,386,000</u>

NOTE 11. OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following:

	September 30,	
	2005	2004
Workers Compensation	\$ 1,255,000	\$ 1,185,000
CRDA obligation payable	601,000	589,000
Union liability	535,000	231,000
Unredeemed gaming chips	340,000	596,000
Other current liabilities	1,372,000	1,091,000
	<u>\$ 4,103,000</u>	<u>\$ 3,692,000</u>

NOTE 12. OTHER LIABILITIES

Other liabilities consisted of the following:

	September 30,	
	2005	2004
CRDA - East Hall obligation	\$ 3,548,000	\$ 3,389,000
Other liabilities	722,000	570,000
	<u>\$ 4,270,000</u>	<u>\$ 3,959,000</u>

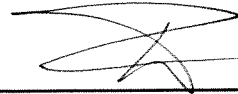
NOTE 13. NONOPERATING INCOME (EXPENSE) - NET

Nonoperating income (expense) – net is comprised of the following:

	September 30,	
	2005	2004
CRDA interest income	\$ 352,000	\$ 517,000
Other interest income	68,000	18,000
Re-organization expenses	(20,000)	(2,870,000)
	<u>\$ 400,000</u>	<u>\$ (2,335,000)</u>

STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.



Signature

Douglas S. Niethold
Vice President, Finance

Title

2892-11

License Number

On Behalf Of:

ACE Gaming, LLC

Casino Licensee